

## **Thursday, April 29, 2010 - Mayor's Annual Luncheon**

As I was travelling down here this morning I was harkening back and for some of you who have been serving as mayors for a significant period of time you will recall this. My first visit as a speaker to the New Jersey Conference of Mayors was in April of 2002. And it was my first significant speech to a large audience as United States Attorney. And in fact, it turned out to be kind of an interesting day because as I was travelling down here, FBI agents raided the home and the office of the Republican frontrunner for the United States Senate, Jim Treffinger.

So it gave a different edge to my remarks that day. It really started the seven years of effort that we made to try to bring more honesty and integrity to government at every level. And I gave, as I recall that day, a pretty direct and candid speech to the mayors which was if you're running your town well, if you're acting within the law and conducting yourself with honesty and integrity, then you're going to have no greater friend than the U.S. attorney. And if you're not, we're coming to get you.

I think you saw over the seven years, that what I said eight years ago at your conference, I meant. And the reason I think that's important for today is because I do think words are important. Words are especially important in our business. Although over time words have begun to be cheapened in the political dialogue in this state, both in terms of their honesty and in terms of their tenor and tone.

And so what I want to start off saying to all of you today is what I say, I mean. I'm not posturing, I'm not positioning. I'm not getting myself into an area where then I can then negotiate off of. I'm telling you today the truth as I see it. And the challenge that lies before each and every one of us. And there will be some in this room who will agree and there will be some who disagree and that will be fine. And I recognize that and that's what words are also used for, debate. Good honest debate of ideas.

And so as we move forward through some very difficult times in New Jersey we have to look – first look where we've been and then look to where we need to go. We're in an extraordinarily difficult time. And I think all of you as well or better than anyone understands the pressures that are on our people - the people who elected us and who represent us. All too often I have people come up to me in this first hundred days on this job – today is a hundred days on this job. And people come to me and say, how are you holding up? I'm like, are you kidding? I'm the Governor of New Jersey, I'm holding up just fine.

I'm much more concerned about the people who elected me, cause their not holding up nearly as well. Unemployment in the state is still the highest in the region at 9.8%. I was in the city of Paterson yesterday with Mayor Torres where his unemployment is nearly double that amount in the city of Paterson. We have amongst the highest marginal income tax rates in the nation. We have the second highest sales tax in America. We have the sixth highest corporate business tax in America. And as you all painfully know, we have the highest property taxes in America.

Now add to that, that in groups like the folks who are represented by building and trades council who I met with this week. The skilled craftsmen and women who have helped to build New Jersey, yet unemployment between 35 and 50%. You have their annuity funds dried up. You have men and women taking money out of their own pockets to try to maintain their health benefits. You have them giving up dental coverage, giving up vision coverage. Literally clawing on, to try to hold on to their homes. I had

more than one of the trade union leaders that they have regularly, men and women coming to them and saying – I'm at the end of my rope, I'm going to lose my home.

What can I do for my family? And this is the context within which we should have the conversation we're having. You see, the politicians in this state, me among them, and you too, have been used to having this conversation in a completely different context. And so, the shenanigans you see going on in Trenton right now with these budget hearings are a group of people reading out of yesterday's playbook. You see what's happening. They trace down every person who's had their budget cut in the Governor's proposal and have them tell the worst story they can tell about what's going to happen if the Governor's budget cuts are enacted. Of course, they don't take the next step which is – okay if we don't enact that cut then what are we going to cut? You see because in this budget and every one of these cabinet officers who are here will tell you, every one of their budgets has been cut. There has been not one department in State government that has been spared.

And so as the legislature brings these folks in for their show in April and May I'm hoping at some point we get to a serious conversation. Because, you know, there is only so much money. And with just so much money, we have to make hard choices. You're facing exactly the same issues. And we should not doubt for a minute that the people of New Jersey are both paying attention and fed-up. How about a few examples instead of just taking it from me?

A Rasmussen poll that which came out about three weeks ago asked the question – Are you following the debate on the state budget between the Governor and the State Legislature? Never seen a number this high before. 90% of the voters polled in New Jersey said they were either somewhat or very closely following that debate. 55% said very closely. If you doubt polls and think that may not be right let's turn to the school board elections, something I'm sure you're all thrilled about in this room. Since the thud we just heard was this landed in your lap.

Average turn out in the school board elections? 10-12%. And you know of course why that is. Because they schedule the elections at a time when we never vote for anything else, in places where we never vote and at times we don't vote. Despite every obstacle that the education bureaucracy put in front of the voters we more than doubled turnout on April 20<sup>th</sup>. Nearly 25% turnout statewide. Now if that doesn't tell you that the people of New Jersey are engaged, that they took the time to remember that April 20<sup>th</sup> was election day, that they took the time to look at their sample ballot to figure out where they hell they went to vote, and that they actually took the time then to show up. That tells you something too. So those two things should tell you about the attention portion of my statement. Now let's get to the fed up portion.

Last year in very difficult economic times, similar and maybe even worse than the ones we're in today, the voters of New Jersey approved 74% of their school budgets. Roughly the historic norm. This year, for the first time since 1976 - 1976 - you all know what was happening back then don't we? The Supreme Court was threatening to shut down public schools, not since then – since that crisis - have more than 50% of the budgets been turned down and even then only 54% of the budgets were turned down. April 20<sup>th</sup>, a little over a week ago, 58% of the budgets in New Jersey were turned down by a voting public that has been more generous to the K-12 public education system in this state than any citizens in any state, in fact, in any place in the world.

What turned 74% to 41% in one year? What turned a historic norm into a historic election? I can only give you my view. But I've spent a lot of time on the road in the last year and met a lot of

people. And I think that people in New Jersey now feel as if there have become two classes of people in New Jersey. Public employees who receive rich benefits, and those who pay for them. Now that is an uncomfortable reality to come to in this room, but it is the reality. Because when they look at a teachers union who has determined that it is their birth right to have 4 and 5% increases a year, regardless of the rate of inflation, regardless of the economic conditions of the state, regardless of the pain that it will cause. And a teachers union who believes that they are entitled to in the main – free health benefits for themselves and their family, medical, dental, and vision from the day they are hired until the day they die. You are setting up two different classes of people, because for those of you who work in the private sector you know pay freezes have become the norm. Pay cuts, failure to match in 401K programs, more contributions towards your health benefits, have become the norm to keep businesses afloat. And those people who, those tradesmen I was telling you about who are struggling to keep their homes wonder why it is that it's not shared sacrifice to ask the teachers union to take a pay freeze for one year. They wonder when they are paying 20-25% of their premiums for their health insurance that it is destructive to public education to ask the teachers union to contribute 1.5% of their salary to health benefits. I understand that the teachers union has joined the parade today to file suit over the pension and benefits reform, good. Go ahead. Go ahead.

<Laughter, applause>

The people of the state of New Jersey are getting the veil pulled away. A thin veil it was to begin with, but the veil is being pulled away. When public workers in New Jersey and their unions are even now being made fun of by Saturday Night Live, that the Public Workers Awards Ceremony is held in Atlantic City. I don't know if you've seen this skit, Mayor Langford, I recommend it for your perusal. But it is become once again, certain aspects of our State becoming a laughing stock. The public employee from New Jersey, it says he has two jobs – one in the Mercer County court system and another as an elevator inspector. And they say how do you do both full time jobs? And he says, 'you have a total misunderstanding.' He said, I put in a full day at the court house, 23 hours week and he said the elevator inspector job doesn't impinge upon it at all because that's a no-show. Now if that is what we've now devolved to, it seems to be that the conversation we're not having in this state is a conversation we need to have.

And I will tell that I don't believe that this is a problem with teachers, because I believe if teachers were given an opportunity to have a full, fair, open, secret ballot, election, as to whether they would take the pay freeze or not in order to save their colleagues' jobs, and save student programs, that it would pass overwhelmingly.

Why hasn't the teachers union been willing to do that? Why are they not even willing to engage in that act? I think it's because they know what the result would be. Remember, 1.5% of an average teacher's salary in New Jersey is \$750 a year, for health benefits for family. The number that equates that of course, most appropriately, is the dues that the teachers union in a compulsory manner charges their members, \$731 a year. If they are so concerned that one year of paying 1.5% would represent such a catastrophe to their members how about this. How about they get by on the \$130 million they collected last year from their members? And forgo their dues for a year? What do they do with all that money anyway? Ask if all of you had the ability to do that?

So let's lower the drama a bit. And let's talk realistically, because the people who are being asked to pay these bills spoke loudly and clearly on April 20<sup>th</sup>. And all of you need to hear it. Because those who ignore what happened on April 20<sup>th</sup>, and the people in this room understand politics, so you understand

how historic what happened last Tuesday was. Those who ignore that call, ignore it at their personal peril. At their political peril. Because you know what, whether it is right or it is wrong, the public doesn't believe we are being responsible stewards of their money. They don't believe we're doing the best job that we can possible do. They believe we can do better and so can I. We can do better and we must do better.

Because they're hanging on, and the ones who aren't hanging on are moving out. We can no longer compete given the tax structure in this state. 115 tax increases and fee increases in the last 8 years, has driven us to a lost decade. This first decade of this new century was lost economic decade for New Jersey. While others recovered in the aftermath of 9/11, we never did. While others saw private sector job growth, we did not. While others have seen economic growth throughout their states, we did not. And so, when the tsunami hit in the fall of 2008. And the bottom fell out of the mortgage markets and financial markets, New Jersey was in worse position to deal with that than any of our neighbors. As a result today, we still sit with the highest unemployment in the region, with no private job growth. And with the worst business climate in America.

Just this week a new report came out saying that New Jersey is the worst state in America for Entrepreneurs, not something I want the DOT commissioner to put on the welcome to New Jersey signs. As you travel into the state.

But it's the truth and we all know it. We collectively have to do something about it. Ultimately, too often we play the blame game amongst each other. The Mayors rightfully point up to Trenton and say they are too many unfunded mandates, you don't give us the tools we need to control our costs, and you blame us for higher property taxes. And state officials have point down to you and say we give you ever increasing municipal aid, ever increasing school aid, one in every three dollars goes directly to school aid and your municipalities. Yet you continue to hire more people, the municipal and school board employment rolls in 2009 increased by 11,300. At the same time that private sector jobs went down by 121,000. And we say to you, you're the problem. Well this games has been going on for 20 years or more. In Democrat and Republican administrations. With Democrat controlled legislatures and Republican controlled legislature. It's been going on, and on, and on. Guess what, we're the problem. Not you, not me, we're the problem. And we got to get to fixing it. Because look around you, we are the last best chance for New Jersey to have economic recovery. We are the last best chance to restore the hope, and the faith and the trust of the people who elected us.

So, we can do what the legislature is doing right now, and we can play all the same old games. Oh, well look at this cut hurts that person, and look at that cut hurts that person, and this one, you add up all the things the legislature wanted to restore, and we'd be in the billions of dollars of additional spending. Which of course can come as no secret or surprise because this is a state budget that if allowed this year to have grown to what Governor Corzine projected it to grow at, would have grown 322% since the day that Jim Florio took office. 20 years ago, 322% growth, 16% a year on average a year, every year. There is no economic growth model that can sustain that public sector growth. None.

And so we can chose that route. And we can go with the let's not get anybody upset at the moment, restore everybody's cuts, everybody will be fine, and then when you're not looking we'll raise your taxes again. And make it even less affordable for people to live in New Jersey. Or, we can finally turn to what we should have turned to decades ago. And that is, for state government to show leadership and discipline and for us to give you the tools to do what you need to do to get local spending and local taxes under control.

Next week we will purpose specific legislation, and have it sitting on the legislatures' desk, when they return in full session on May 10, on some very specific items that you'll be able to utilize to be able to control this problem at the local level while we try to do the same thing at the state level.

<Applause>

First and foremost, we will propose a 2.5% amendment to the state constitution to cap local property tax growth at no greater than 2.5% a year. A hard cap. A no exceptions cap. Except for one safety valve. Put it on the ballot. If in your town, you believe that the projects that need to be done will exceed the 2.5% cap and you believe the public will support you, then put it on the ballot. This has happened in Massachusetts. For the last 30 years, about 50% of those local initiatives pass and about 50% of them fail. People in New Jersey have shown a long history of raising their own taxes, and they believed it was worth it. Every year when they approved those school budgets at a 75% rate, they knew that's exactly what they were doing. They made an investment. But it will be up to us then to make the case to the people, why their taxes should go up on their property more than 2.5% a year. It's worked in Massachusetts, and it can work in New Jersey, and candidly, it is time to get this problem out of the hands of state government, out of our hands, and into the hands of the people who pay the bills.

And you would be able to work with them to make it work, and it will not be easy in the beginning, but nothing good is. And we will propose that constitutional amendment to the legislature next week, and we will urge them to put it on the ballot to let the voters decide. In November, whether they want to be in control of their property taxes or do they want to leave us in control. There is no excuse not to put that question on the ballot, especially given what happened on April 20. There's no excuse.

Secondly, collective bargaining reform. Collective bargaining reform needs to happen, and the people in this room are the best educated people on that topic probably than anybody else in New Jersey. We need to change a system that now tips the balance too much in favor of the public sector unions and we need to have collective bargaining reform that levels the playing field and gives mayors, municipalities, school boards the ability to negotiate fair contracts that reflect the economic times that we live in. And not used as a domino system that knocks one town against the another so that everybody gets the same level of increase.

<Applause>

And that collective bargaining reform must include an absolute requirement that arbitrators respect the constitutionally 2.5% cap.

<Applause>

Employee benefit reform, simply put, as I've said before, this system must move closer to achieving parity with the private sector's health benefit system. In parts of the state right public sector employees enjoy full benefit packages, including health care with no salary contribution of their own. We passed legislation, bipartisan fashion in the first 60 days that the conclusion of current contracts or for those that are not currently covered under a current contract will impose as of May 22 a 1.5% contribution of salary towards health benefits for every public employee in the state of New Jersey. We need to continue to build off that, and that piece of legislation will result in immediate savings \$315

million this year, and nearly \$8 billion over the next 15 years. We need to continue to stand up and fight the lawsuits that are trying to overturn that. And to make sure we examine a more equitable way of paying for health benefits for public employees in New Jersey.

Unfunded mandates. Been listening to this for decades. The fact of the matter is, the Lt. Governor has begun to work to make sure that unfunded mandates and both the municipal level and at the school board level begin to get eliminated. Commissioner Schundler and Commissioner Martin and Commissioner Griffo are going to be the people in the forefront of this fight since DOE, DEP, DCA, are the main culprits on putting these mandates on municipalities and forcing to figure out a way to pay for them. In this administration that will end and we will propose legislation to put tight restrictions on the state governments' ability to pass those mandates down further.

Civil Service Reform. We need to change the civil service system, because candidly, a having a collective bargaining system and a civil service system layered over on top of each other, are duplicative, too expensive, and they work only to allow the pin balling of public employees between the two systems until they get the answers that they want. This is very much a kin to parents that don't talk to each other. You know. You go to dad and ask if you can out and borrow the car tonight and he says no. You go to mom and say, can I borrow the car tonight? And she says yes. And then mom and dad look at each other and say, what do you mean? You said no, I said yes.

Well this is the same thing that is happening between civil service reform, civil service system, and the collective bargaining system and the grievance systems that go along with them. Government has to speak with one voice and you as mayors are elected either directly by your citizens or by your colleagues to be the person in charge. You have to be able to make responsible decisions to manage your towns. If you're going to be held responsible for the costs, you should have the ability to make the personnel decisions based on merit and based on what is best for your town and then be held responsible for it by the voters. It's a civil service reform, significant civil service reform including the ability to opt out of civil service will be included in the package of legislation that we propose next week.

Additional pension reform needs to happen as well. As I said when I signed those bills a month or so ago, they were a good start but they're hardly a finish to the pension problems that we have. The 9% increase that was given in 2001 has to be repealed. There is no sense for that. We need to cap payouts of accumulated sick leave for everyone. Not just for new employee but for everyone at \$15,000, and we need to have that fight and we need to have it now. Those payouts cripple your towns where 4 officers from Parsippany can walk out with \$900,000 in sick leave payments. The public who pays for that gets more and more angry.

We will also propose election reform. Last Tuesday should be the last time that a school election is held at anytime other than the 1<sup>st</sup> Tuesday after the 1<sup>st</sup> Monday in November.

Other than the 2.5% cap, we will also ask for the permission of cap banking. So as you work within the cap, if you don't hit the cap you can bank that for credit. So if there's another year where you may need to exceed the cap if you have banked credit for the public, in previous years when you were able to hold your budget below 2.5% growth, you keep that and you bank it as a way of encouraging responsible management and not just "let's go up to the 2.5% cap every year" and permits you a way to do it that keeps the average increasing year at 2.5% but no more, but allows the recognition of responsible management on the part of the municipal governments and school boards to be credited when in times get more difficult down the road.

Now, in my view there's no reason not to implement these reforms. And without any of these reforms we're just playing a shut game of moving money from the State and burden from the State down to the localities and I know you're feeling that right now. And I know that nobody loves to do this cause I know, I'm the one who started the ball down the hill and I didn't love pushing it down the hill. But you know, the time is over for us to play nice and pretend that everything is ok. People in New Jersey want us to treat them like adults. They know we're in trouble. They feel it in their own homes, in their neighborhoods, in their schools, on their ball fields, at their work place. They know New Jersey's in trouble and they want us to fix it. It doesn't mean they're going to like everything that we're going to do, they won't. But they will, I believe, credit the people who have the guts to tell them the truth. Now of course this is contrary to our political experience. I recognize that. But let me tell you this. Lots of things that have happened recently if you've noticed are contrary to our political experience.

Hey look at last November. Now last November, you had a Democratic incumbent Governor in a State with 700,00 more Democrats than Republicans. In a State that President Obama had won by 500,000 votes just the year before. In a campaign where he outspent his opponent by more than 3 to 1. In a State that re-elects incumbent Governors. There is no one, no one, in the political mainstream, the people who talk politically correctly, the "conventional wisdom" who thought I'd be standing here today. Yet I am and candidly with those numbers it wasn't even close. For a Republican to win in this State by 100,000 votes, in the face of those numbers, being outspent 3 to 1. In the face of a popular Democratic incumbent president, coming in and campaigning three times in the last four weeks. And in the face of an opponent who was willing to spend as much as he needed to and who in the last, in the last ten years had spent \$140 million on TV and radio and mail advertising - I wasn't supposed to be here.

Last week, everyone told me "Governor, don't go out there and say people should vote against the school budgets if the teacher's haven't taken a freeze. That's the stupid political thing to do. School budgets in New Jersey pass over 70% of the time. You're going to lessen your political capital. People are going to look at you and say, 'you don't have the influence over the people of New Jersey that we think you might.' You don't have the popularity with them. You're not telling them what they want to hear. And they are going to approve these budgets anyway, so don't say it." I decided to say it because it was the right thing to do and even if it had gone the other way I still would have thought it was the right thing to do. But guess what? 58% went down. Something's happening out there ladies and gentlemen.

And it's not about me. It is not about me, make it really clear. You know, I don't think this is any reflection of my personal popularity. This is a reflection of the times and the issues that I'm articulating and giving voice to. I am merely giving voice to what the majority of the people in this State feel needs to be done and never thought that anyone who got this position would risk giving it up in order to tell the truth. Well I told all of you a year ago that I didn't care if I got re-elected and that I was lucky enough to get one term. I wouldn't care about a second term. Now listen, after watching what I've been doing for the first 100 days, you've gotta believe that is true.

The power of that message lies in this - We have to let people know that we care more about their future than we care about our own. We have to let people know that we care more about making the state affordable for our children than we care about getting another term in political office. We need to show them that the great New Jersey life that we've been able to enjoy already is one that we want to have for our children and grandchildren and that we are willing to take the risk of telling the truth in order to ensure that it will be there for them. Now there is no more solemn obligation that we

have to the next generation then that. And that means taking a risk. And that means telling the truth. And that means doing difficult things. But you know I had a political science professor in college that said to me, “there are two types of people, Chris, who get involved in politics. Those who want to do something and those who want to be something.” All of us have to decide which one we are. Now if we are in this to be something, to have the title, to be called mayor – with both the pride and the pain that comes along with that – if that’s what we’re all about, then we’ll take the easy path. We’ll play the blame game. Just point down to Trenton and blame it on the big bad Governor. It’s all his fault. That’s why this is happening, and don’t forget it in 2013 and kick him out. If you are in public office because you want to do something, then now is the time for every person who has run and won for that reason to step up to the line and be a leader who wants to do something.

That doesn’t mean that we’re always going to agree. But it means when we disagree, we will disagree principally, not for show for the cameras. We will disagree philosophically, not purely to pander to the lowest common denominator. We’ll disagree honestly, and not with the typical type of deceitful political trickery that has gone on in this state for much too long. And so, my call to you today is not agree with me or else. Not at all. My call to you today is decide that you’re sitting here because you want to fix the problem, not add to it. Decide that you’re sitting here because you have the backbone to look your constituents in the eye and tell them the hard truth. Decide that you’re sitting here because you are willing to fight for what you believe in, not just fight for your own political survival. These desperate times call for nothing less than that level of commitment from everyone who has the honor and the privilege to hold public office.

I’ll conclude with this, [I] hope many, if not most of you have read the great book by David McCollum on John Adams, one of the more neglected in many ways of our founding fathers. But if you’ve read the McCollum book, you know what an extraordinary couple John and Abigail Adams were. They sacrificed everything to build for us a country based upon freedom and liberty and prosperity. And John Adams, as he neared the end of his life, wrote frequently in his diary about his concerns about his country – the country he had help to build – as it reached close to its fiftieth birthday. Adams wrote this in his diary near the end of his life, for posterity, for us. Adams wrote, “You shall never know, the great sacrifices that I have made to secure for you your liberty. I pray you make good use of it, for if you do not, I shall repent in heaven for ever having made the sacrifice at all.”

That is the call to action for each and every one of us, nearly two hundred years ago by a man who sacrificed everything to give us the opportunity to be who we are in our towns, in our counties, in our State, in our nation. And as a beacon for the rest of the world as to what freedom and liberty and democracy and prosperity can bring to a people.

If we are unwilling to stand up now and fight for those principles, then I fear not only lose those things most dear to us, but that we will make Adams repent in heaven for ever having made the sacrifice at all. Those are the stakes. Those are the stakes. The time for [inaudible] and the failed, petty politics of yesterday are over. The check has come due. The day of reckoning has arrived, and I trust and I hope and I pray that each and every one of you has already found within you, or will find within you the courage to stand up and be counted for the people who put us here. If we do that together, New Jersey will once again be a place where hope and optimism and a bright and prosperous future is available for each and every one of our citizens. If we don’t, we will have our children and grandchildren to answer to. I don’t believe any of us want to be in that position. So let us together stand up and do what we were sent here to do, simply to lead with honor, honesty, and integrity.



Thank you all very much.